



210 N. Park Ave.
Winter Park, FL
32789

P.O. Drawer 200
Winter Park, FL
32790-0200

Tel: 407-740-8575
Fax: 407-740-0613
tmi@tminc.com

September 5, 2001
Overnight Delivery

REGULATORY AFFAIRS

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EXECUTIVE SECRETARY

Mr. David Waddell
Executive Secretary
Tennessee Regulatory Authority
460 James Robertson Parkway
Nashville, TN 37219-0412

RE: **Ciera Network Systems, Inc. - Data Request**
Docket #01-00693

Dear Mr. Waddell:

Enclosed for filing are the original and three (3) copies of the above-referenced data request on behalf of Ciera Network Systems, Inc.

Please acknowledge receipt of this filing by returning, date-stamped, the extra copy of this cover letter in the self-addressed stamped envelope enclosed for this purpose.

Any questions you may have regarding this filing should be directed to myself at (407) 740-3001. Thank you for your assistance.

Sincerely,

Thomas M. Forte
Consultant to Ciera Network Systems, Inc.

Enclosure

cc: Robert Livingston - Ciera
file: Ciera - TN Local
tms: TN10100c

1. Pursuant to Tennessee Code Annotated §65-4-125, the following will be due to the TRA:

- (a) A corporate surety bond in the amount of \$20,000; or
- (b) An irrevocable letter of credit in the amount of \$20,000; or
- (c) Documentary evidence that you own and operate equipment facilities in Tennessee worth more than \$5,000,000.

Response: A surety bond has been filed with the Commission on August 21, 2001.

2. Please provide a Balance Sheet, Income Statement and Statement of Cash Flow on Ciera Network Systems, Inc.

Response: See Attachment I.

3. Please provide complete projected financial statements for the first three years of operation for Ciera Network Systems, Inc. This should include balance sheets, income statements and cash flow statements.

Response: Ciera does not do in depth financial analysis for each state in which it provides service. Costs for a UNE-P provider are structured such that the Company will price its local services above its cost, but below the ILEC retail price. The Company does anticipate TN sales from CLEC and Long Distance services at \$50,000 for the first year, \$100,000 for the 2nd year, and \$200,000 for the 3rd year.

4. Applicant should serve notice of its application of the eighteen (18) incumbent local exchange telephone companies in Tennessee with a statement regarding the company's intention of operation geographically. The TRA requires a written certificate of service from the applicant.

Response: Ciera already served notice with the filing of their application on August 6, 2001 with the TRA.

5. Please identify all complaints filed with regulatory agencies involving your company or affiliated entities. Identify the nature of the complaint, which governmental agency or office received the complaint, how was the complaint resolved?

Response: To date, Ciera has not received complaints in other states.

6. Numbering Issues

- (a) What is your company's expected demand for NXXs per NPA within a year of approval of your application?

Response: The company will be utilizing BellSouth's Unbundled Network Elements Platform and will not be requesting it's own NPA/NXXs.

- (b) How many NXXs do you estimate that you will request from NANPA when you establish your service footprint?

Response: The company will be utilizing BellSouth's Unbundled Network Elements Platform and will not be requesting it's own NPA/NXXs.

- (c) When and in what NPA do you expect to establish your service footprint?

Response: The company will be utilizing BellSouth's Unbundled Network Elements Platform and will not be requesting it's own NPA/NXXs. The company will request full line numbers from BellSouth on an as needed basis throughout the state of Tennessee.

- (d) Will the company sequentially assign telephone numbers within NXXs?

Response: The company will be utilizing BellSouth's Unbundled Network Elements Platform and will not be requesting it's own NPA/NXXs. The company will request full line numbers from BellSouth on an as needed basis throughout the state of Tennessee.

- (e) What measures does the company intend to take to conserve Tennessee numbering resources?

Response: The company will be utilizing BellSouth's Unbundled Network Elements Platform and will not be requesting it's own NPA/NXXs. The company will request full line numbers from BellSouth on an as needed basis throughout the state of Tennessee.

- (f) When ordering new NXXs for growth, what percentage fill of an existing NXX does the company use to determine when a request for a new NXX will be initiated?

Response: The company will be utilizing BellSouth's Unbundled Network Elements Platform and will not be requesting it's own NPA/NXXs.

7. Tennessee Specific Operational Issues

- (a) How does the company intend to comply with TCA §65-21-114? In its description, please explain technically how the company will not bill for countywide calls within Tennessee.

Response: The company will utilize call records provided by BellSouth via their Unbundled Network Elements Platform along with the Tennessee County Wide database to ensure that countywide calls within Tennessee are not billed for.

- (b) Is the company aware of the Tennessee County Wide database maintained by BellSouth and the procedures to enter your telephone numbers on the database?

Response: The company is aware for the Tennessee County Wide database maintained by BellSouth and the procedures to enter numbers into it.

- (c) Is your company aware of the local calling areas provided by the Incumbent Local Exchange Carriers in your proposed service areas?

Response: The company is aware of the local calling areas provided by the LECs in the areas in which service is proposed.

- (d) Explain the procedures that will be implemented to assure that your customers will not be billed long distance charges for calls within the metro area.

Response: The company is aware of the local calling areas provided by the LECs in the areas in which service is proposed and will utilize the same local calling areas to ensure it's customers are not billed long distance charges for calls within the metro area

- (e) Please provide the name and telephone number of an employee of your company that will be responsible to work with the TRA on resolving customer complaints.

Response: Robert W. Livingston
CEO / Secretary
Ciera Network Systems, Inc.
1250 Wood Branch Park Drive, 6th Floor
Houston, Texas 77079-1212
Phone: 713-914-3850
Fax: 713-914-3870
Toll Free: 888-467-1844

- (f) Does the company intend to telemarket its services in Tennessee? If yes, is the company aware of the telemarketing statutes and regulations found in TCA §65-4-401 *et seq.* And Chapter 1220-4-11?

Response: The company does not intend to telemarket its services in Tennessee.

8. **Applicant must state intent to comply with Tenn. Code Annotated §65-4-201.**

Response: The Company intends to comply with Tenn. Code Annotated §65-4-201.

Attachment I

Ciera Network Systems, Inc.

Current Financials

Ciera Network Systems, Inc.

1250 Wood Branch Park Drive
Houston, Tx. 77079

Balance Sheet

May 2001

7/2/01

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ASSETS

Current Assets

Cash

| | |
|----------------------------|------------|
| BankOne - 157-183-1203 | 15,914.79 |
| Community Bank (60-1872-5) | 136,062.27 |
| Fidelity 5911-299-17 | 2,525.19 |
| Southwest ATG - Lock Box | 55,423.68 |
| Petty Cash | 1,000.00 |
| CD - SWBT Texas | 17,000.00 |
| Surety Bonds | 112.50 |

Total Cash 228,038.43

Accounts Receivable

| | |
|-----------------------------|----------------|
| Allow Doubtful Accounts | (87,256.31) |
| Accts Rec - Trade - Allbill | 96,696.21 |
| Accts Rec Allbill Misc | (86.41) |
| Accounts Receivable - CCC | 218.98 |
| Accts Rec - Costguard | 3,475,965.93 |
| Employee Payroll Advance | 879.13 |
| Employee Advances | 3,641.38 |
| CCC - Transfer Account | (1,574,219.31) |

Total Accounts Receivable 1,815,839.60

Inventory 375.00

Prepaid Expenses

| | |
|---------------|------------|
| Prepaid COS | 139,125.47 |
| Deposits Paid | 75,964.73 |

Total Prepaid Expenses 215,090.20

Total Current Assets 2,359,343.23

Plant, Property & Equipment

| | |
|---------------------------|--------------|
| Furniture & Fixtures | 269,885.12 |
| Switch Equipment | 1,000,541.25 |
| Office Equipment | 5,694.18 |
| Computer Equipment | 1,417,221.97 |
| Paging Equipment - Leased | 6,037.70 |
| Leasehold Improvements | 9,608.27 |
| Accumulated Depreciation | (161,552.43) |

Total Plant, Property & Equipment 2,547,438.06

Amortization of Goodwill (340,940.48)

Goodwill 3,823,598.38

Investment - Ciera Bus Center 4,390.61

Total ASSETS 8,393,827.80

LIABILITIES

Current Liabilities

| | |
|-----------------------------|-----------|
| Deferred Income - Allbill | 54,213.30 |
| Deferred Income - Costguard | 28,418.57 |
| Customer Deposits | 640.00 |

Total Current Liabilities 83,271.87

Accounts Payable - Trade

| | |
|----------------------------|------------|
| Accounts Payable - Trade | 270,877.80 |
| Accounts Payable - Accrued | 165,004.43 |

Total Accounts Payable - Trade 435,882.23

Communications Taxes Payable

| | |
|------------------------------------|-----------|
| Federal Communications Taxes | |
| Municipal Fees-PRW Allbill | 20,437.50 |
| Total Federal Communications Taxes | 20,437.50 |

| | |
|----------------------------|-----------|
| Texas Communications Taxes | |
| Allbill Tax Payable | 79,864.38 |

Total Texas Communications Taxes 79,864.38

Communications Tax Payable 54,414.82

CostGuard USF 79,933.12

Municipal Communications Taxes

Ciera Network Systems, Inc.

Balance Sheet

May 2001

7/2/01

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| | | |
|------------------------------------|---------------------|---------------------|
| Missouri State Sales Tax (099) | 399.82 | |
| Missouri City Sales Tax (099) | <u>1,400.64</u> | |
| Total Missouri Communication Taxes | | <u>1,800.66</u> |
| Total Communications Taxes Payable | | 236,450.48 |
| Other Accrued Liabilities | | |
| Other Accrued Liabilities | <u>73,500.00</u> | |
| Total Other Accrued Liabilities | | 73,500.00 |
| Intercompany Payable | | 1,444,702.73 |
| Long-Term Liabilities | | |
| Note Payable - L. Lee | 8,025.00 | |
| Note Payable - RFC Capital | <u>7,723,336.02</u> | |
| Total Long-Term Liabilities | | <u>7,731,361.02</u> |
| Total LIABILITIES | | 10,005,168.33 |
| STOCKHOLDERS EQUITY | | |
| Stockholders Equity | | |
| Common Stock | 736.51 | |
| Additional Paid in Capital | 1,191,513.49 | |
| Retained Earnings | (2,003,009.24) | |
| Current Year Earnings | <u>(800,581.29)</u> | |
| Total STOCKHOLDERS EQUITY | | (1,611,340.53) |
| Total Liability & Equity | | <u>8,393,827.80</u> |

Clara Network Systems, Inc.

1250 Wood Branch Park Drive
Houston, Tx. 77079

Profit & Loss Statement

May 2001

7/2/01

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| | Selected Period | % of Sales | Year to Date | % of YTD Sales |
|------------------------------------|-----------------|------------|--------------|----------------|
| Revenue | | | | |
| Wholesale (Reseller & Agent) | | | | |
| Cellular Service - Postpaid | | | | |
| Cellular Service - Prepaid | | | | |
| Total Wholesale (Reseller & Agent) | 0.00 | 0.0% | 0.00 | 0.0% |
| Retail | | | | |
| Omnibill Revenue | 0.00 | 0.0% | 34,113.85 | 1.4% |
| Allbill Prepaid Revenue | 62,677.29 | 6.3% | 346,815.23 | 14.6% |
| CostGuard Direct Bill Revenue | 512,847.74 | 51.4% | 1,027,922.88 | 43.3% |
| CostGuard Lec Revenue | 400,934.81 | 40.2% | 746,941.39 | 31.4% |
| Debit Card Revenue | 16,676.10 | 1.7% | 29,904.13 | 1.3% |
| Long Distance Service | | | | |
| Interstate Outbound Switched | 0.00 | 0.0% | 3,973.58 | 0.2% |
| Intrastate Outbound Switched | 0.00 | 0.0% | 14,289.63 | 0.6% |
| International Outbound Switch | 0.00 | 0.0% | 1,849.95 | 0.1% |
| Interstate Inbound Switched | 0.00 | 0.0% | 554.02 | 0.0% |
| Intrastate Inbound Switched | 0.00 | 0.0% | 2,114.88 | 0.1% |
| Inbound - International | 0.00 | 0.0% | 0.49 | 0.0% |
| Calling Card | 0.00 | 0.0% | 1,298.80 | 0.1% |
| Directory Assistance | 0.00 | 0.0% | 1,552.85 | 0.1% |
| Accounting Code Fees | 0.00 | 0.0% | 17.20 | 0.0% |
| Monthly Service Fees-1+ | 0.00 | 0.0% | 1,068.75 | 0.0% |
| Monthly Service Fees - 800 | 0.00 | 0.0% | 175.86 | 0.0% |
| Total Long Distance Service | 0.00 | 0.0% | 26,876.01 | 1.1% |
| Internet Service | | | | |
| Internet Service - ICSI | 0.00 | 0.0% | 563.25 | 0.0% |
| Total Internet Service | 0.00 | 0.0% | 563.25 | 0.0% |
| Personal Assistant | 0.00 | 0.0% | 68.84 | 0.0% |
| Local Service | | | | |
| SWBT-TX- MRC - Business | 0.00 | 0.0% | 166,373.38 | 7.0% |
| SWBT-TX- Install Fees - Bus | 0.00 | 0.0% | 4,119.57 | 0.2% |
| SWBT- TX - User Fees - Bus | 0.00 | 0.0% | 267.19 | 0.0% |
| Operator Services Income | 0.00 | 0.0% | 1,554.21 | 0.1% |
| SWBT - TX - MRC - Residential | 0.00 | 0.0% | 12,471.49 | 0.5% |
| SWBT - TX - Install Fees - Res | 0.00 | 0.0% | 84.57 | 0.0% |
| Total Local Service | 0.00 | 0.0% | 184,870.41 | 7.8% |
| Paging Service | | | | |
| Air Time | 0.00 | 0.0% | 252.50 | 0.0% |
| Total Paging Service | 0.00 | 0.0% | 252.50 | 0.0% |
| PICC Fees | 0.00 | 0.0% | 607.24 | 0.0% |
| Late Fees | 0.00 | 0.0% | 2,326.36 | 0.1% |
| Speedpay Fee | 0.00 | 0.0% | 5.00 | 0.0% |
| Discounts | | | | |
| Discounts - Shareholders | 0.00 | 0.0% | (189.58) | 0.0% |
| Discounts - Bundle | 0.00 | 0.0% | (28,398.86) | (1.2%) |
| Discount Free Mins/Air Value | 0.00 | 0.0% | (334.59) | 0.0% |
| Total Discounts | 0.00 | 0.0% | (28,923.03) | (1.2%) |
| Total Retail | 993,135.94 | 99.6% | 2,372,344.06 | 99.8% |
| Income from Subsidiary | 4,278.05 | 0.4% | 4,278.05 | 0.2% |
| Total Revenue | 997,413.99 | 100.0% | 2,376,622.11 | 100.0% |
| Cost of Goods Sold | | | | |
| Wholesale | | | | |
| Internet Service | | | | |
| ICSI | 17.62 | 0.0% | 0.00 | 0.0% |
| Dialup USA | (600.00) | (0.1%) | 0.00 | 0.0% |
| Total Internet Service | (582.38) | (0.1%) | 0.00 | 0.0% |
| Bell South | | | | |
| Pacific Bell | | | | |
| Cellular Service | | | | |

Ciera Network Systems, Inc.

Profit & Loss Statement

May 2001

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| | Selected Period | % of Sales | Year to Date | % of YTD Sales |
|--------------------------------|-----------------|------------|--------------|----------------|
| Paging Equipment | 0.00 | 0.0% | 12.21 | 0.0% |
| Total Wholesale | (582.38) | (0.1%) | 12.21 | 0.0% |
| Retail | | | | |
| Long Distance Service | | | | |
| Outbound Interstate Switched | 0.00 | 0.0% | 2,183.93 | 0.1% |
| Outbound Interstate Dedicated | 0.00 | 0.0% | 3,188.12 | 0.1% |
| Outbound Intrastate Switched | 0.00 | 0.0% | 7,785.35 | 0.3% |
| Outbound Intrastate Dedicated | 0.00 | 0.0% | 5,488.78 | 0.2% |
| Outbound Int'l Switched | 0.00 | 0.0% | 866.25 | 0.0% |
| Outbound Int'l Dedicated | 0.00 | 0.0% | 14,464.43 | 0.6% |
| Inbound Interstate Switched | 0.00 | 0.0% | 242.36 | 0.0% |
| Inbound Interstate Dedicated | 0.00 | 0.0% | 396.66 | 0.0% |
| Inbound Intrastate Switched | 0.00 | 0.0% | 1,790.83 | 0.1% |
| Inbound Intrastate Dedicated | 0.00 | 0.0% | 4,381.85 | 0.2% |
| Inbound Int'l Switched | 0.00 | 0.0% | 0.67 | 0.0% |
| Dedicated Facilities | 0.00 | 0.0% | 18.69 | 0.0% |
| Calling Card | 30.94 | 0.0% | 686.21 | 0.0% |
| Directory Assistance | 0.00 | 0.0% | 201.73 | 0.0% |
| Total Long Distance Service | 30.94 | 0.0% | 41,655.86 | 1.8% |
| MCI LEC Usage Surcharge | 0.00 | 0.0% | 229.12 | 0.0% |
| MCI Worldcom Charges | 33,100.77 | 3.3% | 49,620.50 | 2.1% |
| MCI Interexchange Circuit Chgs | 615.80 | 0.1% | 1,250.20 | 0.1% |
| MCI Local Access Circuit Chrgs | 249.80 | 0.0% | 1,115.77 | 0.0% |
| Alliance - AT&T LD | 87,515.38 | 8.8% | 187,515.38 | 7.9% |
| Global Crossing | 225,476.92 | 22.6% | 443,680.39 | 18.7% |
| Globalinx / Qwest | 51,000.00 | 5.1% | 99,000.00 | 4.2% |
| Internet Service | | | | |
| ICSI - | (17.62) | 0.0% | 799.75 | 0.0% |
| Internet DialUp | 1,000.00 | 0.1% | 1,800.00 | 0.1% |
| Total Internet Service | 982.38 | 0.1% | 2,599.75 | 0.1% |
| Local Telephone Service | | | | |
| SWB Local Service | 50,779.71 | 5.1% | 50,779.71 | 2.1% |
| Total Local Telephone Service | 50,779.71 | 5.1% | 50,779.71 | 2.1% |
| Southwestern Bell-Texas | | | | |
| Monthly Recurring Fees | 0.00 | 0.0% | 283,854.90 | 11.9% |
| Conversion Fees | 0.00 | 0.0% | 22,130.87 | 0.9% |
| Order Processing Fees | 0.00 | 0.0% | 591.38 | 0.0% |
| IntraLATA LD charges | 0.00 | 0.0% | 10,326.58 | 0.4% |
| Usage Fees | 0.00 | 0.0% | 3,245.46 | 0.1% |
| Bill Plus Fees | 91.20 | 0.0% | 494.00 | 0.0% |
| Call Branding Fees | 47.46 | 0.0% | 526.29 | 0.0% |
| Premise Service Work | 0.00 | 0.0% | 607.00 | 0.0% |
| Restoral Fees | 0.00 | 0.0% | 7,435.00 | 0.3% |
| Pay Phone Compensation | 0.00 | 0.0% | 640.46 | 0.0% |
| Total Southwestern Bell-Texas | 138.66 | 0.0% | 329,851.94 | 13.9% |
| Intrastate resold usage | 23.27 | 0.0% | 167.12 | 0.0% |
| Disconnect Reports | 21.50 | 0.0% | 393.10 | 0.0% |
| Liquidated Damages - SWBT-TX | 0.00 | 0.0% | (691.48) | 0.0% |
| SWB-UNI-MRC | 122.97 | 0.0% | 323.35 | 0.0% |
| SWB-UNI-Conversion | 0.00 | 0.0% | 12.27 | 0.0% |
| SWB Dial-Up Dallas Switch | 0.00 | 0.0% | 2,831.82 | 0.1% |
| AT&T Hou DS-3 | 1,728.57 | 0.2% | 3,457.14 | 0.1% |
| AT&T Dal Circuits | 17,761.00 | 1.8% | 30,883.27 | 1.3% |
| AT&T Hou Circuits | 4,154.52 | 0.4% | 9,131.16 | 0.4% |
| Level (3) Hou-Dal DS-3 | 3,048.19 | 0.3% | 6,096.38 | 0.3% |
| SMS/800 | (8,000.00) | (0.8%) | 0.00 | 0.0% |
| Intermedia Circuits | 1,181.77 | 0.1% | 2,323.54 | 0.1% |
| SWB - Circuits | 23,255.36 | 2.3% | 45,047.94 | 1.9% |
| Pacific Bell | | | | |
| GTE/Verizon Local Service | 1,102.92 | 0.1% | 1,280.40 | 0.1% |
| Paging Service | 0.00 | 0.0% | 146.41 | 0.0% |
| Teletouch | 0.00 | 0.0% | 146.41 | 0.0% |

Ciera Network Systems, Inc.

Profit & Loss Statement

May 2001

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| | Selected Period | % of Sales | Year to Date | % of YTD Sales |
|--------------------------------|-----------------|------------|--------------|----------------|
| Debit Cards | (3,000.00) | (0.3%) | 279.79 | 0.0% |
| PIC Fees | 0.00 | 0.0% | 12.00 | 0.0% |
| PICC Fees | 0.00 | 0.0% | 50.24 | 0.0% |
| Total Retail | 493,270.43 | 49.5% | 1,309,043.07 | 55.1% |
| Total Cost of Goods Sold | 492,688.05 | 49.4% | 1,309,055.28 | 55.1% |
| Gross Profit | 504,725.94 | 50.6% | 1,067,568.83 | 44.9% |
| Overhead Expenses: | | | | |
| Payroll Expenses: | | | | |
| Salaries - Management | 22,068.06 | 2.2% | 93,375.75 | 3.9% |
| Operations | 0.00 | 0.0% | 9,000.00 | 0.4% |
| Salaries - Customer Service | 66,186.02 | 6.6% | 132,840.78 | 5.6% |
| Credit & Collections | 27,593.69 | 2.8% | 48,350.35 | 2.0% |
| Provisioning | 34,033.05 | 3.4% | 87,373.56 | 3.7% |
| Finance & Accounting | 24,300.13 | 2.4% | 69,597.20 | 2.9% |
| Administration & Regulatory | 16,924.03 | 1.7% | 41,094.74 | 1.7% |
| Information Services | 21,797.14 | 2.2% | 36,043.38 | 1.5% |
| Marketing | 5,000.00 | 0.5% | 16,089.73 | 0.7% |
| Salaries - Sales | 57,043.01 | 5.7% | 138,792.22 | 5.8% |
| Application Development | 12,170.78 | 1.2% | 19,093.86 | 0.8% |
| Billing | 15,523.90 | 1.6% | 24,076.18 | 1.0% |
| Network Salaries | 3,970.00 | 0.4% | 3,970.00 | 0.2% |
| Sales Commissions | 2,857.84 | 0.3% | 6,413.34 | 0.3% |
| Accrued Payroll | (51,000.00) | (5.1%) | 0.00 | 0.0% |
| Total Payroll Expenses: | 258,467.65 | 25.9% | 726,111.09 | 30.6% |
| Fringe Benefit Cost | | | | |
| Health Insurance-Cost of Prem | 17,962.03 | 1.8% | 76,042.65 | 3.2% |
| Health Ins - Employee Portion | (13,678.38) | (1.4%) | (37,850.49) | (1.6%) |
| Life Insurance- Non Mgmt | 656.38 | 0.1% | 1,568.88 | 0.1% |
| FICA - Employer portion | 13,859.58 | 1.4% | 39,158.24 | 1.6% |
| Medicare - Employer portion | 3,241.35 | 0.3% | 9,157.94 | 0.4% |
| FUTA - Employer portion | 1,132.95 | 0.1% | 5,259.52 | 0.2% |
| Texas SUI - Employer portion | 970.01 | 0.1% | 3,052.21 | 0.1% |
| VA SUI - Employer Portion | 100.62 | 0.0% | 200.00 | 0.0% |
| TX Smart Job | 0.00 | 0.0% | 97.83 | 0.0% |
| Workers Compensation Insurance | 0.00 | 0.0% | 1,573.02 | 0.1% |
| Life Insurance - Key Man | 0.00 | 0.0% | 1,190.00 | 0.1% |
| Sales Production Incentive | 0.00 | 0.0% | 86.26 | 0.0% |
| Total Fringe Benefit Cost | 24,244.54 | 2.4% | 99,536.06 | 4.2% |
| Other Expenses: | | | | |
| Advertising | 0.00 | 0.0% | 4,583.38 | 0.2% |
| Bank Fees | 1,303.43 | 0.1% | 2,466.60 | 0.1% |
| Beepers / Pagers | 0.00 | 0.0% | 58.02 | 0.0% |
| Circuit Installation Charges | 0.00 | 0.0% | 1,294.54 | 0.1% |
| Billing Costs | (7,440.33) | (0.7%) | 38,724.41 | 1.6% |
| Collection Expense | 0.00 | 0.0% | 3,268.28 | 0.1% |
| Copier Lease | 476.30 | 0.0% | 2,348.69 | 0.1% |
| Commissions - Agent / Reseller | 11,909.12 | 1.2% | 25,222.43 | 1.1% |
| Computer Software Supplies | 6,495.86 | 0.7% | 16,888.40 | 0.7% |
| Consulting | 22,230.77 | 2.2% | 52,230.77 | 2.2% |
| Credit Card / ACH Fees | 454.85 | 0.0% | 8,573.84 | 0.4% |
| Credit Reports | 4,318.01 | 0.4% | 6,546.95 | 0.3% |
| Delivery - Overnight | 1,403.60 | 0.1% | 2,888.79 | 0.1% |
| Dues & Subscriptions | 160.00 | 0.0% | 190.00 | 0.0% |
| Entertainment | 1,466.63 | 0.1% | 1,893.74 | 0.1% |
| Equipment Repair | 0.00 | 0.0% | 92.01 | 0.0% |
| Equipment Rental | 869.58 | 0.1% | 4,260.91 | 0.2% |
| Finance Charge | 0.00 | 0.0% | 5.31 | 0.0% |
| Franchise Tax | 100.00 | 0.0% | 506.00 | 0.0% |
| Internet access | 0.00 | 0.0% | 5,193.23 | 0.2% |
| Legal Fees | 4,875.14 | 0.5% | 13,840.58 | 0.6% |
| Insurance - General Liability | 1,280.21 | 0.1% | 2,883.25 | 0.1% |

Ciera Network Systems, Inc.

Profit & Loss Statement

May 2001

7/2/01

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| | Selected Period | % of Sales | Year to Date | % of YTD Sales |
|--------------------------------|-----------------|------------|--------------|----------------|
| Insurance Casualty & Theft | 1,260.50 | 0.1% | 2,302.58 | 0.1% |
| License & Application Fees | 7,200.00 | 0.7% | 23,828.50 | 1.0% |
| Late Fees | 451.37 | 0.0% | 14,887.68 | 0.6% |
| Maintenance & Repairs | 12,656.95 | 1.3% | 14,851.51 | 0.6% |
| Misc State Reporting Fees | 0.00 | 0.0% | 300.00 | 0.0% |
| Office Supplies | 5,831.33 | 0.6% | 16,385.73 | 0.7% |
| Outside Services | 1,500.02 | 0.2% | 10,056.36 | 0.4% |
| Registered Agent Services | 0.00 | 0.0% | 396.00 | 0.0% |
| Penalties | 363.24 | 0.0% | 1,420.30 | 0.1% |
| Postage | 1,941.45 | 0.2% | 7,309.65 | 0.3% |
| Printing | 2,965.24 | 0.3% | 4,700.01 | 0.2% |
| Professional Fees | 11,240.35 | 1.1% | 28,939.85 | 1.3% |
| Property Taxes | 3,433.34 | 0.3% | 9,087.11 | 0.4% |
| Registration - Foreign Corp | 1,000.00 | 0.1% | 14,319.00 | 0.6% |
| Rent - Office | 36,989.58 | 3.7% | 71,519.48 | 3.0% |
| Rent-Storage | 1,071.65 | 0.1% | 1,208.90 | 0.1% |
| Securities Registration & Fees | 0.00 | 0.0% | 1.00 | 0.0% |
| State Certification Fees | 44,984.32 | 4.5% | 44,964.32 | 1.9% |
| Telemarketing | 1,457.20 | 0.1% | 21,732.93 | 0.9% |
| Telephone - Cellular | 228.94 | 0.0% | 945.53 | 0.0% |
| Telephone - Local | 6,281.43 | 0.6% | 14,307.94 | 0.6% |
| Telephone - Long Distance | 1,381.67 | 0.1% | 20,168.28 | 0.8% |
| Temporary Employee | 3,502.00 | 0.4% | 10,497.30 | 0.4% |
| Employee Training | 3,658.75 | 0.4% | 3,656.75 | 0.2% |
| Travel | 4,554.97 | 0.5% | 8,532.98 | 0.4% |
| Travel - Living Expense - Exec | 2,000.00 | 0.2% | 9,678.83 | 0.4% |
| Total Other Expenses: | 205,825.47 | 20.6% | 550,354.63 | 23.2% |
| Bad Debt Expense | | | | |
| Bad Debt Accrual | 17,615.32 | 1.8% | 38,692.00 | 1.8% |
| Total Bad Debt Expense | 17,615.32 | 1.8% | 38,692.00 | 1.6% |
| Total Overhead Expenses: | 506,152.98 | 50.7% | 1,414,693.78 | 59.5% |
| Operating Profit | (1,427.04) | (0.1%) | (347,126.95) | (14.6%) |
| Other Income | | | | |
| Interest Earned - Checking | 133.26 | 0.0% | 481.66 | 0.0% |
| Interest Earned - CD's | 0.00 | 0.0% | 249.42 | 0.0% |
| Gain/(Loss) Sale Fixed Asset | (3,050.66) | (0.3%) | (3,050.66) | (0.1%) |
| Other Income | 849.22 | 0.1% | 6,293.27 | 0.3% |
| Speedpay Income | 0.00 | 0.0% | 22.00 | 0.0% |
| Total Other Income | (2,068.18) | (0.2%) | 3,995.69 | 0.2% |
| Other Expenses | | | | |
| Depreciation Expense | 45,402.10 | 4.6% | 104,499.18 | 4.4% |
| Amortization | 114,408.26 | 11.5% | 259,415.12 | 10.8% |
| Interest Expense | 49,050.46 | 4.9% | 93,535.73 | 3.9% |
| Total Other Expenses | 208,860.82 | 20.9% | 457,450.03 | 19.2% |
| Net Profit / (Loss) | (212,356.04) | (21.3%) | (800,581.29) | (33.7%) |